



LOS ANGELES COUNTY

CONSUMER & BUSINESS AFFAIRS

Board of Supervisors

December 16, 2022

Hilda L. Solis
First District

Holly J. Mitchell
Second District

Lindsey P. Horvath
Third District

Janice Hahn
Fourth District

Kathryn Barger
Fifth District

Department of Cannabis Control, Legal Division
2920 Kilgore Road
Rancho Cordova, CA 95670

OAL Reference Attorney
300 Capitol Mall, Suite 1250
Sacramento CA 95814

Director

Rafael Carbajal

Delivered electronically to publiccomment@cannabis.ca.gov and staff@oal.ca.gov

Chief of Staff
Joel Ayala

Re: Comments on DCC Proposed Emergency Rulemaking, Track and Trace Requirements for Delivery of Cannabis Goods, Title 4, California Code of Regulations (CCR), Section 15049.3, OAL File Number 2022-1214-01E

To Whom it May Concern,

On behalf of the County of Los Angeles Office of Cannabis Management (OCM), we are submitting comments to the Department of Cannabis Control's (DCC) Notice of Emergency Rulemaking to express concern over the proposed track and trace requirements for delivery of cannabis goods under Section 15049.3(d)(5). The OCM is concerned that proposed subsection (d)(5) language requiring only "the county of the physical location at which the delivery occurred" be recorded into the track and trace system is insufficient and will inadvertently undermine the viability of local governments and the licensed operators located within their jurisdictions.

Since 2017, the OCM has served Los Angeles County (County) and its residents by leading the transition of cannabis to a regulated market with policies that seek to protect consumers and promote the health and safety of our communities. With a focus on responsible regulation and education, OCM is a resource to County Departments, other agencies, and the community. The OCM also serves as a countywide coordinating body. This includes working closely with the County Board of Supervisors and departments to develop and implement the County's cannabis policies, priorities, ordinances and regulations, as well as engage with other local city governments within the County that have adopted commercial cannabis licensing and regulatory programs under their jurisdictional boundaries.



dcba.lacounty.gov
info@dcba.lacounty.gov

320 W. Temple St., Room G-10, Los Angeles CA, 90012-2706
(213) 974-1452 • (800) 593-8222 • Fax: (213) 687-1137

As a regulatory agency committed to promoting the growth of an equitable and vibrant cannabis industry, the OCM believes that the proposed section 15049.3(d)(5), requiring only the “county of the physical location at which the delivery occurred” be recorded, risks undermining DCC’s intent of achieving an effective track and trace system in the following ways:

1. Limits the ability of the state, county, and city governments to effectively assess delivery activity within their jurisdictions; and
2. Diminishes local regulatory efforts to prevent the inversion and diversion of cannabis.

1. The proposed subsection limits the ability of the state, county, and city governments to effectively assess delivery activity within their jurisdictions.

As written, Section 15049.3(d)(5) fails to adequately address deliveries that occur within local cities located in larger counties throughout the state, such as Los Angeles County. Los Angeles County alone contains 88 incorporated cities¹, spanning more than 4,000 square miles and home to 25 percent of California’s population.² Consequently, recording by county alone limits the scope of accurate information provided to DCC of locations at which deliveries occur, particularly at a city-level. As an example, county-level data cannot distinguish deliveries occurring in the cities of Lancaster or Long Beach—both within the same County but over 90 driving miles apart and each with their own distinct regional diversity and regulatory approaches to commercial cannabis. Not capturing this level of information, hinders local governments, particularly those that have adopted commercial cannabis licensing and regulatory programs, to utilize data to inform future policy decisions within their jurisdictions.

2. The proposed subsection diminishes local regulatory efforts to prevent the inversion and diversion of cannabis.

Local governments must rely on existing data to monitor compliance with local regulations. The OCM believes that the proposed subsection misses an opportunity to assist enforcement and compliance agencies with monitoring the movement of cannabis goods throughout the county and state. This is comparable to the detail and utility of a state-only data policy, as Los Angeles County alone has a greater population, and even geographic presence, than some cannabis-licensing states.³ As a result, this minimizes local compliance agencies' ability to regulate and prevent the inversion and diversion of cannabis within or from within their borders. As an example,

¹ [Maps and Geography – COUNTY OF LOS ANGELES \(lacounty.gov\)](https://lacounty.gov/maps-and-geography)

² [U.S. Census Bureau QuickFacts: Los Angeles County, California](https://www.census.gov/quickfacts/losangelescounty-california)

³ [U.S. Census Bureau QuickFacts: Los Angeles County, California](https://www.census.gov/quickfacts/losangelescounty-california)

outside cannabis deliveries that municipalities cannot identify with track and trace may easily avoid local regulations and taxes and thereby undercut local operators and municipal and California cannabis equity initiatives. Voters in Los Angeles County recently approved Measure C (the Cannabis Business Tax), allowing the County to impose general business tax on cannabis businesses located within unincorporated areas of the County. Limited track and trace data would greatly impede the County from collecting all taxable income and thwart the ability to conduct future audits once Measure C is in effect. This presents an additional burden on those licensees who are already facing challenges competing with the illicit market. Like the County, as more local city governments move closer to adopting their own local cannabis regulations, localized and accurate data will become more imperative.

Proposed Amendment to Section 15049.3(d)(5)

The OCM believes a minor amendment to Section 15049.3(d)(5) to include the identification of the zip code and the city which would significantly increase the accuracy of data submitted to track and trace, while also fulfilling DCC's intention of protecting the privacy of customers. As such, the OCM recommends Section 15049.3(d)(5) should read as follows:

(d) For each sale of cannabis goods through delivery, the following information shall be recorded within the track and trace system by the end of the calendar day on which the sale was completed:

(5) The zip code, city, and county of the physical location at which the delivery occurred, which is the location at which the cannabis goods were provided to the customer.

The proposed language above more accurately captures a delivery's location "while at the same time protecting the privacy of customers" by "not recording the specific addresses where cannabis goods are delivered."⁴ DCC, and local governments would also be able to collect more useful data for decision-making related to the proper regulation of cannabis businesses. Subsequently, with more accurate data, localities can more capably monitor locally licensed cannabis delivery activities and where they occur within their jurisdictions, thereby reducing the risk of inversion and diversion of unlicensed cannabis and cannabis products. Access to necessary data and tools would also further empower local jurisdictions to regulate all cannabis business transactions within their borders.

Thank you for the opportunity to submit comments on the Notice of Emergency Rulemaking, Track and Trace Requirements for Delivery of Cannabis Goods. The OCM

⁴ [DCC Track and Trace Delivery Emergency Regulations FOE 12.2.2022 \(ca.gov\)](#)

respectfully recommends the foregoing changes to proposed Section 15049.3(d)(5) to ensure state, county and city governments can effectively evaluate and support locally licensed activities. We look forward to engaging further with the DCC on this matter should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rafael Carbajal', is written over a printed name.

Rafael Carbajal

Director, Department of Consumer and Business Affairs